

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 IO-14 EB-11 OIC-04 USSS-00 SY-04

COME-00 SP-03 AID-20 NSC-07 RSC-01 CIEP-03 SS-20

STR-08 OMB-01 CEA-02 FRB-03 AGR-20 PA-04 USIA-15

PRS-01 L-03 XMB-07 DRC-01 /164 W

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R 050050Z SEP 74

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 8605

UNCLAS WELLINGTON 2770

EO 11652: NA

TAGS: EFIN NZ

SUBJECT: ANNUAL IBRD/IMF MEETING

REF STATE 182246

1. (A) DELEGATION WILL CONSIST OF: W E ROWLING, MINISTER OF
FIANCE AND NZ GOVERNOR OF THE FUND; R W R WHITE, DEPUTY
GOVERNOR OF THE RESERVE BANK (TEMPORARY ALTERNATE); H G LANG,
SECRETARY OF THE TREASURY; AND A C SHAILES, ASSISTANT
SECRETARY OF THE TREASURY, (TEMPORARY ALTERNATE). D M STRACEY,
ECONOMIC COUNSELLOR OF THE NZ EMBASSY, AND S A MCCLOUD,
EXECUTIVE DIRECTOR OF NZ STAFF AT THE IBRD /IMF WILL JOIN
THE DELEGATION IN WASHINGTON. WE UNDERSTAND THAT THE NZ
EMBASSY WILL REQUEST MEETINGS FOR THE DELEGATION WITH MR.
MCNAMARA, MR. WITTEVEEN, MANAGING DIRECTOR OF THE FUND, US
SECRETARY OF TREASURY SIMON, AND CHAIRMAN OF THE FEDERAL
RESERVE BANK BURNS.

B) GNZ ADVISES THAT MAJOR ISSUE IT INTENDS TO RAISE IS THAT
OF RE-CYCLING OF OPEC FUNDS ACCUMULATING AS THE RESULT OF
GROWTH IN OIL PROFITS. NZ IS CONCERNED THAT THE MOVEMENT
OF SUCH FUNDS TO DATE DOES NOT SEEM TO BE WORKING OUT IN THE
BEST INTEREST OF SMALLER NATIONS WHICH FIND THEMSELVES UNABLE
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TO OBTAIN LOAN MONEY AT REASONABLE INTEREST RATES. PRESENT

PLANNING CALLS FOR THIS ISSUE TO BE RAISED IN THE MINISTER'S SPEECH TO THE PLENARY SESSION OF THE IMF. ONLY OTHER ITEM OF MAJOR INTEREST APPEARS TO BE THE POSSIBILITY THAT THE MINISTER WILL SIGN IDA ARTICLES OF AGREEMENT WHILE IN WASHINGTON AS PRELIMINARY DETAILS APPEAR SATISFACTORILY ARRANGED.

C) AS OF THIS DATE NO MAJOR ISSUES ARE LIKELY TO BE RAISED IN BILATERAL DISCUSSIONS WITH THE USG. MEETINGS WITH SECRETARY SIMON AND CHAIRMAN OF RESERVE BANK BURNS ARE EXPECTED TO BE IN NATURE OF COURTESY CALLS.

D) INFLATION IS THE KEY PROBLEM PRESENTLY FACING NEW ZEALAND. VIEWED AGAINST THE BACKGROUND OF RAPIDLY DECLINING FOREIGN EXCHANGE RESERVES IT IS THE GREATEST SINGLE CAUSE OF CONCERN TO BOTH GOVERNMENT AND PUBLIC. THE NZ DELEGATION WOULD UNDOUBTEDLY APPRECIATE HEARING FROM USG REPRESENTATIVES THE STEPS OUR GOVERNMENT IS TAKING TO CURB INFLATION IN THE UNITED STATES. USG OPINIONS ON PROSPECTS FOR AN INFLATIONARY DOWNTURN WOULD BE OF PARTICULAR INTEREST AS SUCH A MOVE WOULD UNDOUBTEDLY HAVE SOME EFFECT ON THE COURSE OF INFLATION IN NZ.

SECONDALY, AS THE US IS A PRINCIPAL MARKET FOR NZ EXPORTS-ESPECIALLY MEAT. THERE IS CONSIDERABLE CONCERN IN THIS COUNTRY OVER THE POSSIBLE EFFECT ON NZ SHOULD THERE DEVELOP A SEVERE RECESSION IN THE UNITED STATES. ACCORDINGLY, THE NZ DELEGATION WOULD BE GREATLY INTERESTED IN A REVIEW OF THE OVERALL US ECONOMY AND IN THE OPINIONS OF US OFFICIALS ON OUR PROSPECTS FOR THE FUTURE.

2. THERE IS A DEFINITE POSSIBILITY THAT THE DEATH OF PRIME MINISTER KIRCK COULD HAVE AN EFFECT ON THE COMPOSITION OF THE DELEGATION. IT WILL BE SEVERAL DAYS BEFORE THE PICTURE IS CLAIPIED. WE WILL NOTIFY THE DEPARTMENT PROMPTLY OF ANY CHANGE IN THE DELEGATES OR WHETHER THERE MAY BE REQUESTS FOR ADDITIONAL MEETINGS. SELDEN

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